



Bulletin #05-27

Thursday, July 28, 2005

COSTLY WEEK FOR COUNTIES

General Assembly budget officials took action this week to reduce funding for county operations by \$35 million.

- **Medicaid** –House and Senate budget conferees removed \$15 million that had been in the House budget bill to relieve counties of some of the burden of Medicaid. The Association reacted immediately to the action.

“Many of our counties are in financial trouble because of Medicaid, and yet the Legislature continues to turn a deaf ear to our pleas for help,” said Patrice Roesler, NCACC assistant executive director. “Costs of medical care cannot be matched with the property tax. When Dell Computers can get more that \$200 million in tax relief to locate in a part of the state that continues to grow and prosper, why can’t Bertie County get help with this one cost that takes every bit of its revenue growth year after year?”

“Rural school systems are struggling for resources that their counties can’t give them because Medicaid cost increases take every new dollar that many counties get. Our small counties will never benefit from the growth industries of the interstate corridors unless the General Assembly shows enough foresight to share that wealth.”

Medicaid costs have increased by more than 65 percent over the past five years. Fifteen counties spend more than 10 percent of their budget to subsidize the state Medicaid share, and 48 counties spend more on Medicaid than school construction. Counties are projected to spend more that \$470 million for 2005-06.

Roesler pointed out that 86 of 120 members of the House of Representatives sponsored or co-signed one of two Medicaid relief bills ([H132](#) and [H149](#)), and 28 of 50 members of the Senate did the same for similar bills in that chamber ([S105](#) and [S117](#)). Either of these bills would have accomplished the counties’ No. 1 legislative goal of phasing out the county share of Medicaid.

“The Legislature doesn’t see county Medicaid relief as a priority, even though an overwhelming majority of the House and a strong majority in the Senate signed on to the various Medicaid relief proposals and assured our county commissioners they would help us,” said Roesler. “When the doors close and the negotiators have no one to look at but themselves, the promises made to county commissioners don’t matter. The 19 counties that increased property taxes by more than 10 percent this year don’t matter. The condition of the elementary schools in Bertie County doesn’t matter.”

- **Election Reform** – The Senate Appropriations Committee this week removed \$20 million from a bill designed to “restore public confidence in elections” by requiring counties to purchase new voting equipment. [S223](#), introduced by Sen. Ellie Kinnaird (Orange), had been approved by the Senate Judiciary Committee No. 1 with an appropriation of \$20 million to assist counties in implementing the new

requirements. The Appropriations Committee later approved a new version of the bill with the funding deleted. Sen. Kinnaird told the committee that \$53 million in federal funds scheduled to go to counties to implement federal election law reform could also be used to fund additional state-mandated changes.

The bill would shift from the counties to the State Board of Elections the responsibility for selecting voting machines and would require that machines generate either a paper ballot or a paper record by which voters could verify their votes before casting them and provide a backup means of counting votes. Because the proposed state requirements are significantly greater than those imposed by the federal Help America Vote Act (HAVA), the bill included additional funding to help counties satisfy the added mandate, based on cost estimates provided by officials with the State Board of Elections.

- **More to Come** – Rumors continue to surface that the provisions of legislation to exempt increases in value of property held by homebuilders will be incorporated into the Conference Report on the state budget. [S508](#), introduced by Sen. Walter Dalton (Rutherford), remains in the Senate Finance Committee, but its provisions could be included in the budget by the sponsor, a senior budget conferee and co-chairman of the Senate Appropriations. Enactment of these provisions would cost counties millions in taxes because of valuation of property at less than fair market value.

HOUSE COMMITTEE APPROVES AUTO PROPERTY TAX COLLECTION REFORM

The House Finance Committee this week voted to approve legislation to reform the system used to collect property taxes on motor vehicles. [H1779](#), introduced by Rep. Dale Folwell (Forsyth), would fund an upgrade in the technology used by the Division of Motor Vehicles, which would then be able to collect property taxes at the time vehicles are registered. It is estimated that, under the new system, about \$80 million would be collected that is not now collected in county, city and special district taxes.

In speaking to the Finance Committee on Tuesday, Rep. Folwell expressed appreciation for support from local tax officials as well as the Department of Revenue and the Division of Motor Vehicles. All three groups were represented by officials who expressed support for [H1779](#). Forsyth County Commissioner Gloria Whisenhunt told the committee that improved collection of auto property taxes was a high priority for her board of commissioners, behind only Medicaid relief and school construction. Rep. Folwell expressed thanks to Rep. Verla Insko (Orange) and Rep. Carolyn Justice (Pender), both former county commissioners, for assistance with the bill. He emphasized the need, and the intent of the legislation, to change taxpayer behavior and instill an understanding that payment of taxpayer obligation should become the norm. George Tatum, director of the Division of Motor Vehicles, spoke in support of the bill, noting provisions to increase interest paid on late payment of auto property taxes and use the increased revenue to fund acquisition of technology to implement the new collection system.

BILLS OF INTEREST

PLANNING, LAND USE AND DEVELOPMENT Updates

[H1469](#) “Granting public utilities immediate access to certain public rights-of-way.” Rep. Drew Saunders (Mecklenburg). ([Bulletin #14](#), April 28, 2005; [Bulletin #19](#), June 2, 2005; [Bulletin #25](#), July 14, 2005). The House failed to concur in Senate changes to this bill. Conferees have been appointed to resolve differences between the House and the Senate.

TAXATION AND FINANCE
Updates

H1117 “To make changes to state and local government finance laws.” Rep. Deborah Ross (Wake). ([Bulletin #12](#), April 14, 2005; [Bulletin #25](#), July 14, 2005). The House voted to concur in Senate changes to this bill on July 19 and 20. The bill has been sent to the governor for signature.

H1779 “To create a combined motor vehicle registration renewal and property tax collection system.” Rep. Dale Folwell (Forsyth). ([Bulletin #17](#), May 29, 2005). This bill was favorably reported by the House Finance Committee on July 26. As rewritten, the bill would increase from 2 percent to 5 percent the interest on unpaid motor vehicle property taxes for the first month they are delinquent. The additional interest would be used by the Division of Motor Vehicles (DMV) to develop and implement an integrated computer system for combined administration of taxes and registration fees on motor vehicles. DMV collection of auto property taxes would begin July 1, 2009.

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